



March 22, 2010

TO: Eileen M. Daily and Cameron C. Staples, Co-Chairs, and to all members of the Finance, Revenue and Bonding Committee of the Connecticut General Assembly

Re: H.B. No. 5528 An Act Concerning the Use of Research and Development Tax Credits in Enterprise Zones

Good Morning.

I am here in support of passage of H.B. No. 5528. I believe Connecticut is at a critical crossroads. Over the last 20 years, Connecticut has been dead last across the Country in job creation. For many reasons, as a State, we must begin to look at ourselves differently and to do things differently. As we all know, our State's economic health is vital to our continued success. Connecticut has much going for it, but dark clouds are in our future. We need some help if we are to prosper, and we need a plan. This bill will go a long way in encouraging companies to expand and create new jobs, something that Connecticut desperately needs.

Our large employers are an invaluable resource. We must encourage them to invest in Connecticut, so that our State is assured a long term, stable employment base. At the same time, we need these employers to begin investing soon to help us emerge from the Great Recession of 2008 and 2009 and to put people back to work. We need to say to these employers honestly: help us to help you, so you can help us in the future.

H.B. No. 5528 is a significant piece of legislation that does a number of important things to open a healthy dialogue between our policymakers and our large employers who are in a position to act quickly to help Connecticut prosper, but are equally in a position to make matters worse, much worse.

This legislation recognizes that many of our large employers are holding R&D Tax Credits in the tens of millions of dollars that they cannot spend very quickly. This legislation permits these employers to cash in these credits over a period of time, provided they invest the proceeds in plant and equipment in enterprise zones in Connecticut. By investing these credits now, not only will this investment make these employers more competitive, it will help put construction workers and others back to work and, most importantly, it will help anchor these companies in Connecticut more firmly.

This legislation also recognizes that over the years, as a matter of policy, we have encouraged employers to invest in Research and Development in Connecticut on the promise that we would offset a portion of these costs with tax credits. However, we then "clogged" their ability to recover the portion of the investment we agreed to fund to a point where some think these credits are worthless. This legislation unclogs, to a limited extent, the utilization of these credits in the next few years, because, now more than ever, we need these employers to invest and increase their commitments to Connecticut.

In the final analysis, this legislation is a jobs bill that will put people to work now, set the table for a constructive collaboration between our government and our largest employers for the next generation and happily will pay for itself.

This legislation is not the answer to all of our problems in Connecticut. But it will buy us the time we need to have a serious discussion with some of the right people to make things better long term. Importantly, this legislation pays for itself, as well as pays dividends in many ways to the State of Connecticut. My company, The Matos Group, was proud to work with Fred Carstensen and his staff at the Connecticut Center for Economic Analysis to assess the fiscal impacts of this legislation, and I will leave it to Fred to summarize his finds. We are also proud to have worked on this legislation with the leadership of the Hartford Building Trades Council.

This legislation is good for business and labor in Connecticut, pays for itself and creates and sustains thousands of jobs. It is one of the right steps Connecticut needs to take now. For this reason, we at The Matos Group support this legislation and urge its prompt passage.

Thank you,

A handwritten signature in black ink, appearing to read "D. S. Matos", written in a cursive style.

Daniel S. Matos